

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Three Rivers Community Schools	County St. Joseph
Fiscal Year End June 30, 2007	Opinion Date October 5, 2007	Date Audit Report Submitted to State November 26, 2007	

We affirm that:

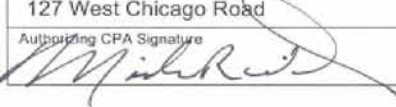
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Internal Control letter under GAS	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.		Telephone Number 269-651-3228	
Street Address 127 West Chicago Road		City Sturgis	State MI
Authorizing CPA Signature 		Printed Name Michael R. Wilson	Zip 49091
		License Number 1101017570	

THREE RIVERS COMMUNITY SCHOOLS

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2007

Three Rivers Community Schools

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Three Rivers Community Schools

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Three Rivers Community Schools, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Three Rivers Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools as of June 30, 2007, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis and budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Education
Three Rivers Community Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Three Rivers Community Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007, on our consideration of Three Rivers Community School's internal control over financial reporting and on our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Norman J. Paulson, P.C.

October 5, 2007

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

This section of Three Rivers Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Three Rivers Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2004 Capital Projects Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statement Fund Financial Statements

Notes to the Basic Financial Statement

(Required Supplemental Information)

Budgetary Information for the General Fund and Major Special Revenue Funds

Other Supplemental Information

Reporting the School District as a whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2007

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2007

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2007 and 2006:

TABLE I

	June 30	
	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 11,134,648	\$ 18,119,368
Capital assets - Net of accumulated depreciation	50,237,323	43,758,006
Other noncurrent assets	<u>500,478</u>	<u>299,490</u>
Total assets	61,872,449	62,176,864
Liabilities		
Current liabilities	4,537,292	4,216,292
Long-term liabilities	<u>45,185,851</u>	<u>47,208,037</u>
Total liabilities	50,211,694	51,424,329
Net Assets		
Invested in property and equipment - net of related debt	6,424,490	5,501,853
Restricted for debt service	1,158,000	1,211,691
Restricted for scholarships	52,833	52,986
Unrestricted	<u>4,025,432</u>	<u>3,986,005</u>
Total net assets	<u>\$ 11,660,755</u>	<u>\$ 10,752,535</u>

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2007

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$11,660,755 at June 30, 2007. Capital assets, net of related debt totaling \$6,424,490 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$4,025,432 was unrestricted.

The \$4,025,432 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2007 and 2006.

TABLE 2

	Year Ended June 30,	
	<u>2007</u>	<u>2006</u>
Revenue		
Program revenue:		
Charges for services	\$ 905,362	\$ 956,388
Grants and categoricals	3,686,158	3,785,893
General revenue:		
Property taxes	7,651,792	6,991,468
State foundation allowance	16,698,142	16,507,554
Interest and other	<u>617,116</u>	<u>768,548</u>
Total revenue	29,558,570	29,009,851
Function/Program Expenses		
Instruction	14,431,475	14,520,095
Support services	9,390,875	9,552,664
Community services	91,335	141,420
Food services	1,148,370	1,076,347
Athletics	411,979	399,465
Endowment activities	1,926	16,700
Interest on long-term debt	2,057,721	2,339,798
Depreciation (unallocated)	<u>1,116,669</u>	<u>1,092,789</u>
Total expenses	<u>28,650,350</u>	<u>29,139,278</u>
Change in net assets	<u>\$ 908,220</u>	<u>\$ (129,427)</u>

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2007

As reported in the statement of activities, the cost of all governmental activities this year was \$28,650,350. Certain activities were partially funded from those who benefited from the programs \$(905,362) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(3,686,158). We paid for the remaining "public benefit" portion of our governmental activities with \$7,651,792 in taxes, \$16,698,142 in State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$908,220. Key reasons for the change in net assets were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 16.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$8,511,155, which is a decrease of \$7,153,868 from last year. In the General Fund, our primary operating fund, the fund balance increased \$13,512 to \$4,123,445, a change of .33 percent. The General Fund fund balance has been reserved for prepaid expenditures - \$124,837; reserved for inventory - \$36,027; designated for future projects - \$820,000; and undesignated - \$3,142,581.

In the Capital Projects Fund the fund balance decreased from \$9,820,320 to \$2,720,566. This was the result of a voter approved \$20,555,000 bond issue less bond costs and construction in progress costs incurred through June 30, 2007. The purpose of the Capital Projects Fund is to continue to spend the fund balance to complete the voter approved purpose of erecting, furnishing and equipping additions to and remodeling, refurnishing and re-equipping elementary school buildings, including educational technology system improvements; and developing and improving playgrounds and sites.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2007

In the Debt Service Fund the fund balance decreased \$60,811 to \$1,523,820. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue - related debt service. Debt Service Fund fund balance is reserved since it can only be used to pay debt service obligations.

Our Food Service Fund fund balance decreased \$6,662 to \$90,491.

Our Athletics Fund is maintained at a zero fund balance and was supported by an operating transfer from the General Fund in the amount of \$337,239.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$209,160, to better reflect state per student foundation funding and adjustments to categorical funding. Actual revenues were within \$146,101 of final budgeted revenues or 0.6 percent.

Budgeted expenditures were decreased \$46,727 during the year. Actual expenditures ended the year under the final budget by \$325,063 or 1.3 percent.

There were no significant variances between the final budget and actual amounts.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the School District had \$62,865,378 invested in a broad range of capital assets, including land, buildings, buses, furniture and equipment, and outside site improvements. This amount represents a net increase (including additions and disposals) of \$7,309,513, or 13 percent, from last year.

Of this amount \$7,377,773 was funded out of the Capital Projects Fund for building improvement projects and \$195,728 was funded internally for the purchase of two buses and a van. It also reflects the disposal of two fully depreciated buses and one van originally costing \$123,280. Two buildings were sold and were reflected at a cost of \$163,193.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2007

	<u>2007</u>	<u>2006</u>
Land	\$ 530,006	\$ 526,063
Buildings and improvements	39,173,824	39,337,017
Buses and other vehicles	2,269,096	2,196,648
Furniture and equipment	803,654	785,112
Outside site improvements	1,500,964	1,500,964
Construction in progress	<u>18,587,834</u>	<u>11,210,061</u>
Total capital assets	62,865,378	55,555,865
Less accumulated depreciation	<u>12,628,055</u>	<u>11,797,859</u>
Net capital assets	<u>\$ 50,237,323</u>	<u>\$ 43,758,006</u>

Debt

At the end of this year, the School District had long-term debt obligations totaling \$47,758,371 outstanding versus \$48,597,044 in the previous year - a change of 1.7 percent. The debt obligations consisted of the following:

	<u>2007</u>	<u>2006</u>
General Obligation Bonds	\$ 47,231,841	\$ 48,001,841
Note payable	338,026	374,122
Other	<u>188,504</u>	<u>221,081</u>
	<u>\$ 47,758,371</u>	<u>\$ 48,597,044</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2007

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in heating fuel costs and transportation fuel costs.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 851 Sixth Avenue, Three Rivers, Michigan 49093.

THREE RIVERS COMMUNITY SCHOOLS

STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 4,937,399
Investments	2,728,401
Accounts receivable	119,665
Taxes receivable (net)	-
Due from other governmental units	3,151,842
Prepaid expenses	151,105
Inventories	<u>46,236</u>
Total current assets	11,134,648
Noncurrent Assets:	
Capital assets	62,865,378
Less: accumulated depreciation	<u>12,628,055</u>
Net capital assets	50,237,323
Unamortized bond discount	261,378
Unamortized issuance cost for bonds	<u>239,100</u>
Total noncurrent assets	<u>50,737,801</u>
Total assets	61,872,449
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	360,607
Accrued payroll	1,275,408
Accrued benefits	892,418
Accrued interest	365,820
Deferred revenue	95,060
Notes payable, due within one year	37,979
Bonds payable, due within one year	<u>1,510,000</u>
Total current liabilities	4,537,292
Noncurrent Liabilities:	
Compensated absences	188,504
Notes payable	300,047
Bonds payable - net of gain on refunding	<u>45,185,851</u>
Total noncurrent liabilities	<u>45,674,402</u>
Total liabilities	50,211,694
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	6,424,490
Restricted for debt service	1,158,000
Restricted for scholarships	52,833
Unrestricted	<u>4,025,432</u>
Total net assets	<u>\$ 11,660,755</u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants/</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Changes in Net</u>
				<u>Assets</u>
Governmental activities:				
Instruction	\$ 14,431,475	\$ 282,665	\$ 2,430,763	\$ (11,718,047)
Support services	9,390,875	70,328	538,740	(8,781,807)
Food services	1,148,370	461,332	714,882	27,844
Athletics	411,979	74,740	-	(337,239)
Community services	91,335	16,297	-	(75,038)
Endowment activities	1,926	-	1,773	(153)
Interest on long-term debt 2,057,721	-	-	(2,057,721)	
Depreciation (unallocated)	<u>1,116,669</u>	<u>-</u>	<u>-</u>	<u>(1,116,669)</u>
Total Governmental activities	<u>\$ 28,650,350</u>	<u>\$ 905,362</u>	<u>\$ 3,686,158</u>	(24,058,830)
General revenues:				
Taxes				
Property taxes, levied for general operations				4,214,821
Property taxes, levied for debt service				3,436,971
State aid not restricted to specific purposes				16,698,142
Interest and investment earnings				409,330
Other				<u>207,786</u>
Total general revenues				<u>24,967,050</u>
Change in Net Assets				908,220
Net Assets - Beginning of year				<u>10,752,535</u>
Net Assets - End of year				<u>\$ 11,660,755</u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	General	2004 Capital Projects	Debt Service
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,254,573	\$ 1,226	\$ 1,517,570
Investments	-	2,728,401	-
Accounts receivable	64,721	37,774	12,636
Due from other governmental units	3,151,842	-	-
Due from other funds	36,917	-	-
Prepaid expenditures	124,837	22,160	-
Inventories	36,027	-	-
Total assets	<u>\$ 6,668,917</u>	<u>\$ 2,789,561</u>	<u>\$ 1,530,206</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 282,586	\$ 68,995	\$ 6,386
Accrued payroll	1,275,408	-	-
Accrued benefits	892,418	-	-
Due to other funds	-	-	-
Deferred revenue	95,060	-	-
Total liabilities	2,545,472	68,995	6,386
Fund Balances:			
Reserved:			
Prepaid expenditures	124,837	-	-
Inventories	36,027	-	-
Scholarships	-	-	-
Debt service	-	-	1,523,820
Capital projects	-	2,720,566	-
Unreserved:			
Designated for future projects	820,000	-	-
Undesignated	3,142,581	-	-
Total fund balances	<u>4,123,445</u>	<u>2,720,566</u>	<u>1,523,820</u>
Total liabilities and fund balances	<u>\$ 6,668,917</u>	<u>\$ 2,789,561</u>	<u>\$ 1,530,206</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 164,030	\$ 4,937,399
-	2,728,401
4,534	119,665
-	3,151,842
-	36,917
4,108	151,105
<u>10,209</u>	<u>46,236</u>

<u>\$ 182,881</u>	<u>\$ 11,171,565</u>
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\$ 2,640	\$ 360,607
-	1,275,408
-	892,418
36,917	36,917
<u>-</u>	<u>95,060</u>

39,557	2,660,410
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4,108	128,945
10,209	46,236
52,833	52,833
-	1,523,820
-	2,720,566

-	820,000
<u>76,174</u>	<u>3,218,755</u>

<u>143,324</u>	<u>8,511,155</u>
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<u>\$ 182,881</u>	<u>\$ 11,171,565</u>
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THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Fund Balances - Governmental Funds \$ 8,511,155

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds.

The cost of the capital assets is	62,865,378
Accumulated depreciation is	<u>(12,628,055)</u>
Total	50,237,323

Bond issuance costs are not included as an asset in governmental activities	249,746
Accumulated amortization	<u>(10,646)</u>
Total	239,100

Long-term liabilities are not due and payable in the
current period and are not reported in the funds:

Compensated absences	(188,504)
Notes payable	(338,026)
Bonds payable	(47,231,841)
Unamortized gain on debt refunding	535,990
Bond discounts net of amortization	261,378
Accrued interest payable on long-term liabilities is not included as a liability in governmental activities	<u>(365,820)</u>
Net assets of governmental activities	<u>\$ 11,660,755</u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007

	General	2004 Capital Projects	Debt Service
Revenues:			
Local sources	\$ 4,559,137	\$ 278,018	\$ 3,492,200
State sources	18,473,406	-	-
Federal sources	1,194,179	-	-
Interdistrict	<u>307,597</u>	<u>-</u>	<u>-</u>
Total revenues	24,534,319	278,018	3,492,200
Expenditures:			
Instruction	14,464,052	-	-
Supporting services	9,573,277	-	-
Community services	91,335	-	-
Food services	-	-	-
Athletics	-	-	-
Endowment activities	-	-	-
Capital outlay	-	7,377,772	-
Debt service			
Principal payment	36,096	-	1,330,000
Interest and fiscal charges	18,808	-	2,024,302
Bond issuance costs	<u>-</u>	<u>-</u>	<u>138,648</u>
Total expenditures	<u>24,183,568</u>	<u>7,377,772</u>	<u>3,492,950</u>
Excess (deficiency) of revenues over expenditures	350,751	(7,099,754)	(750)
Other financing sources (uses):			
Proceeds from the issuance of bonds and notes	-	-	9,995,000
Payment to bond escrow agent	-	-	(9,980,075)
Operating transfers in	-	-	-
Operating transfers out	(337,239)	-	-
Discount on issuance of bonds	<u>-</u>	<u>-</u>	<u>(74,986)</u>
Total other financing sources (uses)	<u>(337,239)</u>	<u>-</u>	<u>(60,061)</u>
Net change in fund balances	13,512	(7,099,754)	(60,811)
Fund balances, July 1	<u>4,109,933</u>	<u>9,820,320</u>	<u>1,584,631</u>
Fund balances, June 30	<u>\$ 4,123,445</u>	<u>\$ 2,720,566</u>	<u>\$ 1,523,820</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 540,451	\$ 8,869,806
46,872	18,520,278
668,010	1,862,189
<u>-</u>	<u>307,597</u>
1,255,333	29,559,870
-	14,464,052
-	9,573,277
-	91,335
1,185,482	1,185,482
411,979	411,979
1,926	1,926
-	7,377,772
-	1,366,096
-	2,043,110
<u>-</u>	<u>138,648</u>
<u>1,599,387</u>	<u>36,653,677</u>
(344,054)	(7,093,807)
-	9,995,000
-	(9,980,075)
337,239	337,239
-	(337,239)
<u>-</u>	<u>(74,986)</u>
<u>337,239</u>	<u>(60,061)</u>
(6,815)	(7,153,868)
<u>150,139</u>	<u>15,665,023</u>
<u>\$ 143,324</u>	<u>\$ 8,511,155</u>

THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED June 30, 2007

Amortization of the gain in a bond refunding, is reported as an increase in interest expense in the statement of activities, it is reported as a reduction in bond debt in the statement of net assets	(9,085)
Bond issuance costs are recorded as an expenditure in the governmental funds but not in the statement of activities (where it is amortized over the life of the bond issue)	138,648
Bond discounts are recorded as an other financing use in the governmental funds but not in the statement of activities (where it is amortized over the life of the bond issue)	74,986
Gain on disposal of assets is reported in the statement of activities, but not in the governmental statements	174,121
Proceeds from the sale of fixed assets are reported as revenues in the governmental statements but not in the statement of activities	<u>(175,421)</u>
Change in Net Assets of Governmental Activities	<u>\$ 908,220</u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	Student Activities <u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ <u>155,280</u>
<u>LIABILITIES</u>	
Due to student groups	\$ <u>155,280</u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Three Rivers Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 2004 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

The Debt Service Fund is used to record tax, interest, other revenue for payment of principal, interest and other expenditures on the bond issues.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the district's financial statements.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School district did not have significant expenditure budget variances.

Capital Projects Fund Compliance - The Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of 1351a of the State of Michigan's School Code.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - CASH AND CASH EQUIVALENTS

The School District's cash and cash equivalents at June 30, 2007, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 4,937,399</u>	<u>\$ 155,280</u>	<u>\$ 5,092,679</u>

Deposits consist of checking, savings, and time certificates. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$5,426,933. Of that amount, \$571,590 was covered by federal depository insurance coverage or secured and \$4,855,343 was uninsured and uncollateralized.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - INVESTMENTS

The School District is authorized by Michigan Public Act 132 of 1986 and School Board policy to invest surplus monies in U.S. bonds and notes, highly rated commercial paper, bankers' acceptances, and mutual funds or investment pools that are composed of authorized investment vehicles.

The School District's investments at June 30, 2007 from the issuance of bonds had a carrying and market value of \$2,728,401. Monies are being held in an escrow account with a local bank for capital fund expenditures. The monies consist of government money market funds and U.S. government notes and bonds issued by Federal agencies.

Investments are normally categorized to give an indication of the level of risk assumed by the School District; however, bank investment pools and interlocal agreement investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**NOTE 5 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$95,060.

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Assets not being depreciated - Land	\$ 526,063	\$ 5,243	\$ 1,300	\$ 530,006
Capital assets being depreciated:				
Buildings and building improvements	39,337,017	-	163,193	39,173,824
Buses and other vehicles	2,196,648	195,728	123,280	2,269,096
Furniture and equipment	785,112	18,542	-	803,654
Outside site improvements	1,500,964	-	-	1,500,964
Construction in progress	<u>11,210,061</u>	<u>7,377,773</u>	<u>-</u>	<u>18,587,834</u>
Subtotal	55,029,802	7,592,043	286,473	62,335,372
Accumulated depreciation:				
Buildings and building improvements	9,596,938	773,570	163,193	10,207,315
Buses and other vehicles	1,400,195	235,031	123,280	1,511,946
Furniture and equipment	499,282	34,134	-	533,416
Outside site improvements	<u>301,444</u>	<u>73,934</u>	<u>-</u>	<u>375,378</u>
Subtotal	<u>11,797,859</u>	<u>1,116,669</u>	<u>286,473</u>	<u>12,628,055</u>
Net capital assets being depreciated	<u>43,231,943</u>			<u>49,707,317</u>
Net capital assets	<u>\$ 43,758,006</u>			<u>\$ 50,237,323</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

The School District has active construction projects at year end. These construction projects are being completed from funds received by the \$20,555,000 2004 Building and Site Bond Issue. The District's cumulative expenditures at June 30, 2007 from this bond issue amounted to \$18,903,089.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	Other governmental funds	<u>\$ 36,917</u>
Interfund Transfers:		
	Transfer Out:	
	General Fund	
Transfer in:		
Other governmental funds		<u>\$ 337,239</u>

NOTE 8 - LONG-TERM DEBT

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$48,001,841	\$ 9,995,000	\$10,765,000	\$47,231,841	<u>\$1,510,000</u>
Deposits with escrow agents	-	(545,075)	(9,085)	(535,990)	<u>\$ (36,338)</u>
Notes	374,122	-	36,096	338,026	<u>\$ 37,979</u>
Other Obligations	<u>221,081</u>	<u>-</u>	<u>32,577</u>	<u>188,504</u>	<u>\$ -</u>
Totals	<u>\$48,597,044</u>	<u>\$ 9,449,925</u>	<u>\$10,824,588</u>	<u>\$47,222,381</u>	

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**NOTE 8 - LONG-TERM DEBT - (Continued)**

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,547,979	\$ 2,200,330	\$ 3,748,309
2009	1,752,871	2,098,795	3,851,666
2010	1,806,051	2,022,824	3,828,875
2011	1,904,388	1,942,508	3,846,896
2012	2,002,892	1,855,473	3,858,365
2013-2017	11,590,686	7,795,500	19,386,186
2018-2022	13,135,000	4,826,769	17,961,769
2023-2027	6,775,000	2,218,188	8,993,188
2028-2032	5,055,000	1,104,912	6,159,912
2033-2036	<u>2,000,000</u>	<u>142,500</u>	<u>2,142,500</u>
	<u>\$47,569,867</u>	<u>\$26,207,799</u>	<u>\$73,777,666</u>

Governmental Activities:

General obligation bonds consist of:

\$451,919 1998 School Improvement Bond (Durant Settlement) payable in annual installments of \$40,810 to \$19,927 through May 15, 2013; interest at 4.76%; annual principal and interest payments are to be paid directly by the State of Michigan	\$ 266,841
\$28,835,000 1998 Refunding Bonds, payable in annual installments of \$140,000 to \$1,875,000 through May 1, 2023; interest from 3.75% to 5.00%	26,780,000
\$10,540,000 2004 School Building and Site Bonds (non-refunded portion) payable in annual installments of \$375,000 to \$1,000,000 through May 1, 2034; interest from 3.00% to 4.75%	10,190,000
\$9,995,000 Refunding School Building and Site Bonds payable in annual installments of \$40,000 to \$1,050,000 through May 1, 2032; interest from 4.00% to 4.125%	<u>9,995,000</u>
Total bonds payable	<u>\$ 47,231,841</u>

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT - (Continued)

Notes payable consist of:

\$424,938 Michigan Municipal Bond Authority
Installment Purchase Agreement, annual
payments of \$54,904, including interest
at 5.15%, final payment due July 30, 2014 \$ 338,026

Other governmental activity long-term obligations include:

Employee - compensated absences \$ 188,504

Defeased Debt - During the year ended June 30, 2007, the District issued \$9,995,000 in general obligation bonds with an average interest rate of 4.134%. The proceeds were used to advance refund \$9,435,000 of \$19,975,000 outstanding 2004 bonds with an average interest rate of 4.61%. The net proceeds of \$9,779,075 (after payment of \$135,229 in underwriting fees, insurance, and other costs and \$74,986 in original issue discount less \$201,000 provided by the debt service fund) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2004 bonds. As a result, a part of the bonds are considered to be defeased, and the liability for those bonds has been removed from the General Long-Term Debt Account Group. The advance refunding reduces total debt service payments over the next 27 years by approximately \$473,558, which represents an economic gain of approximately \$343,702.

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10- DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2007, 2006, and 2005 were \$2,392,913, \$2,286,004, and \$1,981,193.

Post Employment Benefits - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

REQUIRED SUPPLEMENTAL INFORMATION

THREE RIVERS COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (under) Final Budget</u>
Revenues:				
Local sources	\$ 3,966,938	\$ 4,510,077	\$ 4,559,137	\$ 49,060
State sources	19,129,991	18,514,353	18,473,406	(40,947)
Federal sources	1,057,469	1,341,766	1,194,179	(147,587)
Interdistrict	<u>316,862</u>	<u>314,224</u>	<u>307,597</u>	<u>(6,627)</u>
Total revenue	24,471,260	24,680,420	24,534,319	(146,101)
Expenditures:				
Instruction 14,670,350	14,638,593	14,464,052	(174,541)	
Supporting services	9,737,408	9,741,413	9,573,277	(168,136)
Community services	92,600	73,625	91,335	17,710
Debt service	<u>55,000</u>	<u>55,000</u>	<u>54,904</u>	<u>(96)</u>
Total expenditures	<u>24,555,358</u>	<u>24,508,631</u>	<u>24,183,568</u>	<u>(325,063)</u>
Excess (deficiency) of revenues over expenditures	(84,098)	171,789	350,751	178,962
Other financing sources (uses):				
Operating transfers out	<u>(391,418)</u>	<u>(346,728)</u>	<u>(337,239)</u>	<u>(9,489)</u>
Net change in fund balance	(475,516)	(174,939)	13,512	188,451
Fund balance, July 1	<u>4,109,933</u>	<u>4,109,933</u>	<u>4,109,933</u>	<u>-</u>
Fund balance, June 30	<u>\$ 3,634,417</u>	<u>\$ 3,934,994</u>	<u>\$ 4,123,445</u>	<u>\$ 188,451</u>

OTHER SUPPLEMENTAL INFORMATION

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF REVENUES

YEAR ENDED JUNE 30, 2007

REVENUES

Revenues from local sources	
Current property taxes	\$ 4,214,821
Interest on investments	73,952
Tuition and fees	86,625
Other revenues	<u>183,739</u>
Total revenues from local sources	4,559,137
Revenues from state sources	
Foundation	16,698,142
At risk	699,818
Adult education	104,808
Early childhood education	221,285
Special education	694,207
Durant Settlement	45,192
Middle School math	6,052
Other state sources	<u>3,902</u>
Total revenues from state sources	18,473,406
Revenues from federal sources	
Title I	682,431
Title V LEA Allocation	5,394
Limited English Title III	17,043
Improving Teacher Quality Title II Part A	308,480
Technology Literacy Title II Part D	4,889
Adult education	18,200
Drug free schools	9,909
Medicaid outreach	76,662
Homeland security grant	60,620
Other federal sources	<u>10,551</u>
Total revenues from federal sources	1,194,179
Revenues from other districts	
Vocational education	192,843
Adult education	89,822
Other revenue	<u>24,932</u>
Total revenues from other districts	<u>307,597</u>
Total revenues	<u>\$ 24,534,319</u>

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED JUNE 30, 2007

INSTRUCTION

Elementary	
Salaries	\$ 3,041,298
Employee benefits	1,549,253
Purchased services	27,982
Supplies, material, and other	117,901
Capital outlay	<u>-</u>
Total elementary instruction expenditures	4,736,434
 Middle school	
Salaries	1,882,539
Employee benefits	868,743
Purchased services	20,963
Supplies, material, and other	43,930
Capital outlay	<u>532</u>
Total middle school instruction expenditures	2,816,707
 Secondary	
Salaries	2,109,304
Employee benefits	1,005,905
Purchased services	83,368
Supplies, material, and other	129,636
Capital outlay	<u>2,879</u>
Total secondary instruction expenditures	3,331,092
 Special education	
Salaries	1,159,838
Employee benefits	605,229
Purchased services	139,898
Supplies, material, and other	9,317
Capital outlay	<u>1,162</u>
Total special education instruction expenditures	1,915,444

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
GENERAL FUNDSTATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2007

INSTRUCTION - Continued

Compensatory education	
Salaries	423,198
Employee benefits	160,212
Purchased services	427
Supplies, material, and other	124,971
Capital outlay	<u>-</u>
Total compensatory education instruction expenditures	708,808
Vocational education	
Salaries	127,322
Employee benefits	56,215
Purchased services	<u>226,006</u>
Total vocational education instruction expenditures	409,543
Early childhood education	
Salaries	122,634
Employee benefits	54,600
Purchased services	2,841
Supplies, material, and other	11,468
Capital outlay	<u>21,742</u>
Total early childhood education instruction expenditures	213,285
Adult and community education	
Salaries	140,200
Employee benefits	56,164
Purchased services	1,414
Supplies, material, and other	32,885
Capital outlay	<u>1,340</u>
Total adult and community education instruction expenditures	232,003
Other instruction	
Salaries	75,509
Employee benefits	19,173
Purchased services	-
Supplies, materials, and other	6,054
Capital outlay	<u>-</u>
Total other instruction expenditures	<u>100,736</u>
Total instruction expenditures	14,464,052

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2007

SUPPORTING SERVICES

Pupil

Guidance

Salaries	456,042
Employee benefits	236,847
Purchased services	312
Supplies, material, and other	<u>788</u>

Total guidance expenditures	693,989
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Health

Salaries	36,780
Employee benefits	26,022
Purchased services	46
Supplies, material, and other	<u>2,813</u>

Total health expenditures	65,661
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Other pupil services

Salaries	196,435
Employee benefits	59,445
Purchased services	<u>30,000</u>

Total other pupil services	<u>285,880</u>
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Total pupil supporting services expenditures	1,045,530
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Instructional staff

Curriculum coordination

Salaries	200,860
Employee benefits	76,845
Purchased services	191,684
Supplies, material, and other	<u>85,651</u>

Total curriculum coordination expenditures	555,040
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Library

Salaries	158,673
Employee benefits	76,539
Purchased services	-
Supplies, material, and other	<u>18,208</u>

Total library expenditures	253,420
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THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2007

SUPPORTING SERVICES - Continued

Instructional staff - Continued

Technology coordination	
Salaries	200,548
Employee benefits	106,873
Purchased services	4,315
Supplies, material, and other	222,141
Capital outlay	<u>36,635</u>

 Total technology coordination expenditures 570,512

Program coordination	
Salaries	73,226
Employee benefits	39,905
Purchased services	1,837
Supplies, material, and other	1,727
Capital outlay	<u>-</u>

 Total program coordination expenditures 116,695

 Total instructional staff supporting
 services expenditures 1,495,667

General administration

Board of education	
Salaries	-
Purchased services	54,332
Supplies, material, and other	<u>157,920</u>

 Total board of education expenditures 212,252

Executive administration

Salaries	315,829
Employee benefits	159,201
Purchased services	4,262
Supplies, material, and other	11,969
Capital outlay	<u>-</u>

 Total executive administration expenditures 491,261

 Total general administration supporting
 services expenditures 703,513

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2007

SUPPORTING SERVICES - Continued

School administration	
Office of the principal	
Salaries	915,740
Employee benefits	508,581
Purchased services	21,134
Supplies, material, and other	53,856
Capital outlay	<u>-</u>
Total school administrative supporting services expenditures	1,499,311
Business	
Fiscal services	
Salaries	129,118
Employee benefits	83,534
Purchased services	61,310
Supplies, material, and other	212,107
Capital outlay	<u>1,280</u>
Total business supporting services expenditures	487,349
Operation and maintenance of plant	
Salaries	790,014
Employee benefits	532,708
Purchased services	204,378
Supplies, material, and other	1,267,721
Capital outlay	<u>60,620</u>
Total operation and maintenance of plant expenditures	2,855,441
Pupil transportation services	
Salaries	670,282
Employee benefits	379,662
Purchased services	45,665
Supplies, material, and other	207,779
Capital outlay	<u>183,078</u>
Total pupil transportation services expenditures	<u>1,486,466</u>
Total supporting services expenditures	9,573,277

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2007

COMMUNITY SERVICES

Recreation	
Salaries	8,119
Employee benefits	1,977
Purchased services	-
Supplies, materials, and other	<u>2,773</u>
Total recreation expenditures	12,869
Other	
Salaries	14,041
Employee benefits	4,660
Purchased services	13
Supplies, materials, and other	<u>59,752</u>
Total other expenditures	<u>78,466</u>
Total community services expenditures	91,335

DEBT SERVICES

Principal payments	36,096
Interest and fiscal charges	<u>18,808</u>
Total debt services	<u>54,904</u>
Total operating expenditures	<u>\$ 24,183,568</u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>Special Revenue Funds</u>			
	<u>Food Services</u>	<u>Athletics</u>	<u>Expendable Trust</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 111,197	\$ -	\$ 52,833	\$ 164,030
Accounts receivable	4,534	-	-	4,534
Inventory	10,209	-	-	10,209
Prepaid expenditures	<u>4,108</u>	<u>-</u>	<u>-</u>	<u>4,108</u>
Total assets	<u>\$ 130,048</u>	<u>\$ -</u>	<u>\$ 52,833</u>	<u>\$ 182,881</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 2,640	\$ -	\$ -	\$ 2,640
Due to other funds	<u>36,917</u>	<u>-</u>	<u>-</u>	<u>36,917</u>
Total liabilities	39,557	-	-	39,557
Fund balances:				
Reserved:				
Prepaid expenditures	4,108	-	-	4,108
Inventory	10,209	-	-	10,209
Scholarships	-	-	52,833	52,833
Unreserved:				
Undesignated	<u>76,174</u>	<u>-</u>	<u>-</u>	<u>76,174</u>
Total fund balances	<u>90,491</u>	<u>-</u>	<u>52,833</u>	<u>143,324</u>
Total liabilities and fund balances	<u>\$ 130,048</u>	<u>\$ -</u>	<u>\$ 52,833</u>	<u>\$ 182,881</u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Special Revenue Funds</u>			
	<u>Food Services</u>	<u>Athletics</u>	<u>Expendable Trust</u>	<u>Total</u>
Revenues:				
Local sources	\$ 463,938	\$ 74,740	\$ 1,773	\$ 540,451
State sources	46,872	-	-	46,872
Federal sources	<u>668,010</u>	<u>-</u>	<u>-</u>	<u>668,010</u>
Total revenues	1,178,820	74,740	1,773	1,255,333
Expenditures:				
Food services	1,185,482	-	-	1,185,482
Athletics	-	411,979	-	411,979
Scholarships	<u>-</u>	<u>-</u>	<u>1,926</u>	<u>1,926</u>
Total expenditure	<u>1,185,482</u>	<u>411,979</u>	<u>1,926</u>	<u>1,599,387</u>
Excess (deficiency) of revenues over expenditures	(6,662)	(337,239)	(153)	(344,054)
Other financing sources:				
Operating transfers in	<u>-</u>	<u>337,239</u>	<u>-</u>	<u>337,239</u>
Net change in fund balances	(6,662)	-	(153)	(6,815)
Fund balances, July 1	<u>97,153</u>	<u>-</u>	<u>52,986</u>	<u>150,139</u>
Fund balances, June 30	<u>\$ 90,491</u>	<u>\$ -</u>	<u>\$ 52,833</u>	<u>\$ 143,324</u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

FOOD SERVICE SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 490,000	\$ 463,938	\$ (26,062)
State sources	43,870	46,872	3,002
Federal sources	<u>620,000</u>	<u>668,010</u>	<u>48,010</u>
Total revenues	1,153,870	1,178,820	24,950
Expenditures:			
Salaries	353,800	353,951	151
Employee benefits	138,300	144,318	6,018
Purchased services	17,500	21,719	4,219
Supplies, material, and other	595,000	628,316	33,316
Capital outlay	<u>40,000</u>	<u>37,178</u>	<u>(2,822)</u>
Total expenditures	<u>1,144,600</u>	<u>1,185,482</u>	<u>40,882</u>
Excess (deficiency) of revenues over expenditures	9,270	(6,662)	(15,932)
Fund balance, July 1	<u>97,153</u>	<u>97,153</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 106,423</u></u>	<u><u>\$ 90,491</u></u>	<u><u>\$ (15,932)</u></u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

ATHLETIC SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 75,000	\$ 74,740	\$ (260)
Expenditures:			
Salaries	246,893	245,563	(1,330)
Employee benefits	77,585	74,522	(3,063)
Purchased services	38,750	38,537	(213)
Supplies, material, and other	33,500	28,973	(4,527)
Capital outlay	<u>25,000</u>	<u>24,384</u>	<u>(616)</u>
Total expenditures	<u>421,728</u>	<u>411,979</u>	<u>(9,749)</u>
Excess (deficiency) of revenues over expenditures	(346,728)	(337,239)	9,489
Other financing sources:			
Operating transfers in	<u>346,728</u>	<u>337,239</u>	<u>(9,489)</u>
Excess (deficiency) of revenues over expenditures and other financing sources	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STUDENT ACTIVITIES AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2007

	Balances <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2007</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>154,942</u>	\$ <u>428,260</u>	\$ <u>427,922</u>	\$ <u>155,280</u>
<u>LIABILITIES</u>				
Due to student groups	\$ <u>154,942</u>	\$ <u>428,260</u>	\$ <u>427,922</u>	\$ <u>155,280</u>

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

1998 SCHOOL IMPROVEMENT BONDS \$ 451,919

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	4.76	\$ -	\$ -	\$ -
2009	4.76	8,819	22,911	31,730
2010	4.76	7,728	24,007	31,735
2011	4.76	6,585	25,151	31,736
2012	4.76	5,388	26,347	31,735
2012	4.76	4,133	27,602	31,735
2014	4.76	2,819	28,915	31,734
2015	4.76	<u>46,239</u>	<u>111,908</u>	<u>158,147</u>
Total		<u>\$ 81,711</u>	<u>\$ 266,841</u>	<u>\$ 348,552</u>

Interest and principal on the bonds of the above issue are payable annually on May 15. As part of the Durant Settlement the annual principal and interest payments are to be made directly by the State of Michigan.

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

1998 SCHOOL BUILDING AND SITE BONDS

\$ 28,835,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	4.55	\$ 1,317,038	\$ 1,095,000	\$ 2,412,038
2009	4.60	1,267,215	1,220,000	2,487,215
2010	4.70	1,211,095	1,340,000	2,551,095
2011	4.80	1,148,115	1,485,000	2,633,115
2012	4.85	1,076,835	1,630,000	2,706,835
2013	4.90	997,780	1,795,000	2,792,780
2014	4.95	909,825	1,850,000	2,759,825
2015	5.00	818,250	1,875,000	2,693,250
2016	5.00	724,500	1,850,000	2,574,500
2017	5.00	632,000	1,825,000	2,457,000
2018	5.00	540,750	1,825,000	2,365,750
2019	5.00	449,500	1,825,000	2,274,500
2020	5.00	358,250	1,825,000	2,183,250
2021	5.00	267,000	1,800,000	2,067,000
2022	5.00	177,000	1,780,000	1,957,000
2023	5.00	<u>88,000</u>	<u>1,760,000</u>	<u>1,848,000</u>
Total		<u>\$11,983,153</u>	<u>\$26,780,000</u>	<u>\$38,763,153</u>

Interest on the bonds of the above issue is payable semi-annually on November 1, and May 1. Principal is payable on May 1.

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

2004 SCHOOL BUILDING AND SITE BONDS (NON-REFUNDED PORTION) \$ 10,540,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	3.25	\$ 418,744	\$ 375,000	\$ 793,744
2009	3.50	406,556	425,000	831,556
2010	3.50	391,681	400,000	791,681
2011	3.50	377,681	350,000	727,681
2012	3.50	365,431	300,000	665,431
2013	3.50	354,932	250,000	604,932
2014	4.00	346,181	300,000	646,181
2015	4.00	334,181	375,000	709,181
2016	4.00	319,181	525,000	844,181
2017	4.00	298,182	650,000	948,182
2018	4.00	272,181	775,000	1,047,181
2019	4.00	241,181	775,000	1,016,181
2020	4.00	210,181	775,000	985,181
2021	4.25	179,182	775,000	954,182
2022	4.375	146,244	775,000	921,244
2023	4.75	112,338	-	112,338
2024	4.75	112,337	-	112,337
2025	4.75	112,338	-	112,338
2026	4.75	112,337	-	112,337
2027	4.75	112,338	-	112,338
2028	4.75	112,337	-	112,337
2029	4.75	112,338	-	112,338
2030	4.75	112,337	-	112,337
2031	4.75	112,338	-	112,338
2032	4.75	112,337	365,000	477,337
2033	4.75	95,000	1,000,000	1,095,000
2034	4.75	47,500	1,000,000	1,047,500
Total		<u>\$ 5,927,594</u>	<u>\$ 10,190,000</u>	<u>\$ 16,117,594</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable on May 1.

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

2007 REFUNDING SCHOOL BUILDING AND SITE BONDS \$ 9,995,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	4.00	\$ 447,622	\$ 40,000	\$ 487,622
2009	4.00	401,260	45,000	446,260
2010	4.00	399,460	-	399,460
2011	4.00	399,460	-	399,460
2012	4.00	399,460	-	399,460
2013	4.00	399,460	-	399,460
2014	4.00	399,460	-	399,460
2015	4.00	399,460	-	399,460
2016	4.00	399,460	-	399,460
2017	4.00	399,460	-	399,460
2018	4.00	399,460	-	399,460
2019	4.00	399,460	50,000	449,460
2020	4.00	397,460	50,000	447,460
2021	4.00	395,460	50,000	445,460
2022	4.00	393,460	55,000	448,460
2023	4.00	391,260	855,000	1,246,260
2024	4.00	357,060	1,050,000	1,407,060
2025	4.00	315,060	1,045,000	1,360,060
2026	4.00	273,260	1,035,000	1,308,260
2027	4.00	231,860	1,030,000	1,261,860
2028	4.00	190,660	1,025,000	1,215,660
2029	4.00	149,660	1,015,000	1,164,660
2030	4.10	109,060	1,010,000	1,119,060
2031	4.125	67,650	1,005,000	1,072,650
2032	4.125	<u>26,194</u>	<u>635,000</u>	<u>661,194</u>
Total		<u>\$ 8,141,586</u>	<u>\$ 9,995,000</u>	<u>\$ 18,136,586</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable on May 1.

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF NOTES PAYABLE
YEAR ENDED JUNE 30, 2007

2004 INSTALLMENT PURCHASE PLAN \$ 424,938

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	5.15	\$ 16,926	\$ 37,979	\$ 54,905
2009	5.15	14,945	39,960	54,905
2010	5.15	12,860	42,044	54,904
2011	5.15	10,667	44,237	54,904
2012	5.15	8,359	46,545	54,904
2013	5.15	5,932	48,972	54,904
2014	5.15	3,377	51,527	54,904
2015	5.15	<u>689</u>	<u>26,762</u>	<u>27,451</u>
Total		<u>\$ 73,755</u>	<u>\$ 338,026</u>	<u>\$ 411,781</u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I - Educationally Deprived	84.010	0715300607 0615300607 0615300506	\$ 683,174 58,742 624,432
Adult Ed. - State Admin.	84.002	0711207500547	18,200
Title V LEA Allocation	84.298	0702500607 0602500506	5,014 10,307
Improving Teacher Quality	84.367	0705200607 0605200506	220,572 222,694
Title III Limited English	84.365	0605800607	10,271
Technology Literacy	84.318	0742900607	7,013
Hurricane Relief	84.938	064120NONP	5,814
Passed Through Intermediate School District:			
Striving Readers	84.371	ED98C00061	4,737
Drug Free Schools	84.186		9,908
Title III Limited English	84.365		6,772

TOTAL DEPARTMENT OF EDUCATION

U.S. Department of Health and Human Services

Passed Through Intermediate School District:

Medicaid outreach	93.778	76,662
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(continued on next page)

Accrued (Deferred) Revenue July 1, 2006	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue June 30, 2007
\$ -		\$ 506,216	\$ 520,750	\$ (14,534)
-		58,742	58,742	-
<u>46,959</u>	506,959	<u>117,473</u>	<u>164,432</u>	<u>-</u>
46,959		* 682,431	743,924	(14,534)
-		18,200	18,200	-
-		5,014	5,014	-
<u>(380)</u>	9,927	<u>380</u>	<u>-</u>	<u>-</u>
(380)		5,394	5,014	-
-		220,572	210,009	10,563
<u>30,785</u>	134,785	<u>87,909</u>	<u>118,694</u>	<u>-</u>
30,785		308,481	328,703	10,563
-		10,271	10,271	-
-		4,889	4,889	-
<u>-</u>		<u>5,814</u>	<u>5,814</u>	<u>-</u>
77,364		1,035,480	1,116,815	(3,971)
-		4,737	4,737	-
-		9,908	11,656	(1,748)
<u>-</u>		<u>6,772</u>	<u>-</u>	<u>6,772</u>
77,364		1,056,897	1,133,208	1,053
35,658	94,852	76,662	79,459	32,861

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
Nutrition Cluster			
Passed Through State Department of Education			
Summer Food Service Program	10.559	06-07	19,165
National School Lunch Program	10.555	05-06 06-07	408,244 406,670
National School Lunch Special Milk Program	10.556	05-06 06-07	620 771
National School Lunch Breakfast	10.553	05-06 06-07	117,567 120,911
Food Distribution Entitlement Commodities Bonus Commodities	10.550	06-07 06-07	58,581 -

TOTAL DEPARTMENT OF AGRICULTURE

U.S. Department of Homeland Security

Passed Through Michigan State Police:

2003 State Homeland Security Grant	97.004		60,620
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TOTAL FEDERAL FINANCIAL ASSISTANCE

Notes:

- 1.*Designates Major Program
2. Dollar threshold used to distinguish between Type A and Type B programs - \$300,000.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
4. The amounts reported on the R7120 reconcile with this schedule.

Accrued (Deferred) Revenue July 1, 2006	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue June 30, 2007
-		19,165	19,165	-
-	357,942	50,302	50,302	-
-		406,670	406,670	-
-		456,972	456,972	-
-	542	78	78	-
-		771	771	-
-		849	849	-
-	106,035	11,532	11,532	-
-		120,911	120,911	-
-		132,443	132,443	-
-		58,581	58,581	-
-		-	-	-
-		58,581	58,581	-
-		668,010	668,010	-
-		60,620	60,620	-
<u>\$ 113,022</u>		<u>\$ 1,862,189</u>	<u>\$1,941,297</u>	<u>\$ 33,914</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL
STATEMENTS PERFORMED IN OF ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education

Three Rivers Community Schools, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools as of and for the year ended June 30, 2007, which collectively comprise Three Rivers Community Schools' basic financial statements and have issued our report thereon dated October 5, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Three Rivers Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Three Rivers Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Three Rivers Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Three Rivers Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Norman J. Paulson, P.C.

October 5, 2007



Norman & Paulsen, P.C.

Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Three Rivers Community Schools, Michigan

Compliance - We have audited the compliance of Three Rivers Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Three Rivers Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Three Rivers Community Schools' management. Our responsibility is to express an opinion on Three Rivers Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Three Rivers Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Three Rivers Community Schools' compliance with those requirements.

In our opinion, Three Rivers Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

Internal Control over Compliance - The management of Three Rivers Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Three Rivers Community Schools internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Three Rivers Community Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Norman J. Paulson, P.C.

October 5, 2007

THREE RIVERS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

1. Summary of auditor's results:

- (I) An unqualified opinion was issued on the financial statements.
- (ii) No reportable conditions in internal control were disclosed by the audit of the financial statements.
- (iii) The audit disclosed no noncompliance.
- (iv) No reportable conditions in internal control over major programs were disclosed by the audit.
- (v) An unqualified opinion was issued on Compliance for major programs.
- (vi) No audit findings were disclosed.
- (vii) Major programs: U.S. Department of Education:
 - Title I - Educationally Deprived
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (ix) Three Rivers Community Schools qualified as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS:

NONE

3. Findings and questioned costs for Federal awards:

NONE